

Message Text

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PAGE 01 HONG K 07175 070819Z

ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01

DOE-15 /124 W

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P R 070737Z JUN 78

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC PRIORITY 755

INFO AMEMBASSY SEOUL

AMEMBASSY TAIPEI

USMISSION GENEVA

C O N F I D E N T I A L HONG KONG 7175

E.O. 11652: GDS

TAGS: ETRD, HK

SUBJECT: FOOTWEAR: HONG KONG CONSULTATIONS

REF: A) STATE 139159, B) HONG KONG 6880, C) HONG KONG 6869,
D) STATE 135551.

1. HONG KONG ASSISTANT DIRECTOR OF TRADE DOUGLAS CHAN TOLD CONGENOFF JUNE 5 THAT HKG ANTICIPATED MAKING FORMAL REPLY TO OUR CONSULTATION REQUEST WITHIN THE NEXT FEW DAYS. CHAN INDICATED, HOWEVER, THAT HKG WOULD NOT BE READY TO CONSULT ON JUNE 15 AND 16, AS PROPOSED BY STR NEGOTIATOR LANDE. AND IF HONG KONG CHIEF NEGOTIATOR MILLS IS TO LEAD HONG KONG DELEGATION IN FOOTWEAR CONSULTATIONS, HONG KONG DELEGATION COULD NOT BEGIN DISCUSSIONS UNTIL JULY 13 OR 14, AFTER MILLS' RETURN FROM EUROPE.

2. CHAN OBSERVED THAT THE HKG REALLY KNEW LITTLE ABOUT THE TERRITORY'S FOOTWEAR INDUSTRY, AND WOULD HAVE TO COLLECT A GOOD DEAL OF DATA BEFORE ENTERING CONSULTATIONS. CHAN SAID THAT
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PAGE 02 HONG K 07175 070819Z

THE HKG HAD BEGUN TO CANVASS FOOTWEAR MANUFACTURERS AND WOULD CONVELENT ITS "TRADE AND INDUSTRY ADVISORY BOARD" ON JUNE 12. (THIS BOARD ADVISES THE GOVERNMENT GENERALLY ON TRADE POLICY AND INDUSTRIAL DEVELOPMENT BUT HAS NEVER HELPED PREPARE HKG OFFICIALS' NEGOTIATING BRIEFS, AS THE HKG'S "TEXTILE ADVISORY BOARD" REGULARLY DOES FOR HONG KONG'S INTERNATIONAL TEXTILES TRADE.)

3. CHAN VOLUNTEERED THAT, WHILE HE DID NOT KNOW DETAILS OF MAY 31 CROWSON-LANDE DISCUSSION, HE FELT SURE THE HKG WOULD BE UNWILLING TO ENTER INTO ARESTRAINT AGREEMENT ANALOGOUS TO THE USG'S TAIWAN AND KOREA FOOTWEAR OMAS. A LICENSING/CERTIFICATE OF ORIGIN ARRANGEMENT, DESIGNED TO IDENTIFY FOOTWEAR ASSEMBLED IN HONG KONG OF TAIWANESE OR KOREAN COMPONENTS, CHAN THOUGHT MIGHT BE NEGOTIABLE. ON HONG KONG'S CURRENT FOOTWEAR MONITORING SYSTEM, CHAN SAID THAT RANDOM CONSIGNMENT CHECKS HAVE REVEALED SOME FOOTWEAR COMPONENT SHIPMENTS OF TAIWAN OR KOREA ORIGIN SUSPECTED OF BEING IMPORTED INTO HONG KONG FOR ASSEMBLY AND EXPORTED TO THE US. BUT CHAN STRESSED THAT HKG DATA ON THIS CIRCUMVENTION OF OMAS DID NOT PERMIT CONCLUSIONS ON ITS VOLUME.

4. COMMENT. CONGEN CONSIDERES THE HKG'S DIFFICULTIES IN GETTING DATA ON THE HONG KONG SHOE INDUSTRY TO BE PLAUSIBLE. THE INDUSTRY EMPLOYES ONLY 8,800 PEOPLE (3,800 -RUBBER FOOTWEAR, 5,000 - ALL OTHER TYPES) OR 1 PERCENT OF HONG KONG'S INDUSTRIAL WORKFORCE, IS STILL STRUCTURED PRINCIPALLY AROUND STREETSIDE COBBLERS AND SMALL WORKSHOPS, AND HAS NEVER BEEN A SIGNIFICANT EXPORT EARNER. (SEE HONG KONG 77 FOR CONGEN'S DESCRPTION OF HONG KONG'S SHOE INDUSTRY AND PROBLEMS IN ACQUIRING DATA ON IT.)

5. HONG KONG CENSUS AND STATISTICS DEPARTMENT, WHICH
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PAGE 03 HONG K 07175 070819Z

HAS MONITORED FOOTWEAR TRADE FOR TRADE, INDUSTRY AND CUSTOMS DEPARTMENT, HAS GIVEN CONGEN COPIES OF FIRST QUARTS 1978 (LATEST AVAILABLE) DATA WHICH WILL BE BRUUGHT TO WASHINGTON BY STR TEXTILE NEGOTIATOR MIKE SMITH. END COMMENT. SHOESMITH

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